

# Can South Africa afford not to have a NHI?

22.08.2011

Di McIntyre

OPINION: Misinformed scaremongering seems to have been the order of the day since the release of the National Health Insurance (NHI) Green Paper. South Africans have been subjected to a barrage of reports about how the proposed NHI is unaffordable, how it will increase the cost of labour and will push the economy into recession.

We need to share some facts. What is the NHI all about? What are its likely costs?

The proposed NHI is about achieving a universal health system. That means two things: everyone enjoys financial protection from high health care costs; and everyone is able to access good health services when they really need them. South Africa is very far from this ideal; at the moment, the reality for millions of South Africans is that they simply don't get health care when they are ill. The NHI is intended to address this reality. It includes building new facilities, upgrading existing ones, introducing community-based teams of health workers to take services to people's homes, taking steps to improve the quality of care in public facilities, drawing on health professionals in the public and private sectors to provide improved health care for all. The most under-served areas will be focused on first.

This will cost money. Of course it will – but from where will that come? We need to increase public funding for health care (public funds in the sense that they are raised as taxes and/or social security contributions, but most importantly that can be used for the benefit of all citizens). Some say just improve the efficiency of public health services and we can make do with current funds. But at the same time, everyone seems to agree that, among other requirements, we need more staff in public health facilities – the queues we see are because there are too few staff to cope with the current patient load. There is massive unmet health care need at the moment. If we improve access to health care, there will be even more patients. That is the idea of achieving universal coverage! Certainly, there is room to improve efficiency. But currently we do not have enough money to provide good quality, accessible services for the 84% of South Africans who are heavily dependent on publicly funded health services, and indeed as the Green Paper proposes, to provide services that all South Africans would be confident to use.

So, how much more money do we need? The Green Paper estimates that the NHI will cost about R125 billion in 2012, increasing to R256 billion in 2025. It is important to note that this is the total amount of money needed for publicly funded health services; it is not extra funding. The government is already planning to spend over R112 billion in the 2011/12 financial year on the health system and has budgeted to spend over R120 billion in 2012/13. So, to move forward with the NHI, we initially need a little bit of extra funding (R5 billion in the first year). It also needs to be recognised that government funds and expenditure will increase over the next 14 years anyway; as the economy grows, so will public funds and spending. Using National Treasury's relatively conservative estimates of real GDP growth in future, the health budget will anyway increase to over R180 billion by 2025. At this point, with the NHI fully implemented (and providing good quality care for everyone), we will need additional public funding; but not R256 billion extra – only R76 billion more.

How can this gap be funded? The first thing we could do is apply pressure to government to devote more general tax funds to health care. After all this is a society wide issue. In 2001, African heads of state (including the South Africa president at the time) committed themselves to allocating at least 15% of general tax funding to the health sector (at the moment, we devote less than 12%). If we did

this, the health budget would be nearly R230 billion by 2025. So, the gap for NHI funding would only be R26 billion. This could easily be funded by a relatively small “solidarity” health tax on personal income and a small payroll tax for employers – according to research at the University of Cape Town’s Health Economics Unit, this would need to be less than 2% of income and payroll respectively.

By the time the NHI is fully implemented, public spending on health care would be about 6% of GDP. This level of public funding for health care would not be unusual. The 2010 World Health Report, devoted to the issue of universal coverage, indicated that countries that have universal health systems spend about 5-6% of GDP in the form of public funding. South Africa is thus intending to move into line with the level of public funding needed to achieve universal coverage anywhere in the world. The question really is: do we want a universal health system or not? Many stakeholders have come out in support of the goal of a universal system. But then they hasten to add that we should not expect anyone to have to pay extra towards achieving this. This is rather disingenuous.

Will wealthier individuals and employers really end up paying more for health care? At the moment, those who belong to medical schemes spend an average of 9% of their income on scheme contributions; but the richest fifth of scheme members spend an average of just over 5% of income and the poorest fifth spend about 14% of their income on scheme contributions. If the NHI achieves its goal of ensuring all South Africans receive high quality care, those who are currently members of schemes will have a real choice. If they choose not to belong to schemes, the cost to them and their employers will be far lower than at present. In fact, NHI will reduce the cost of labour, not increase it. However, it is likely that the richest will continue their medical scheme cover. Is it really unfair that this group has to contribute towards the NHI, even if they choose not to make use of their NHI service entitlements, and continue paying for medical scheme cover? Given that the richest 10% of the population has 51% of total income in South Africa, I think it would be difficult to argue that this is unfair.

But, the crunch issue is this: will the NHI deliver accessible, quality health services for all? Many question why we need a new NHI institution to achieve a universal health system. It is precisely to ensure that there is good service delivery and that we get value for money; it is precisely to address the problems of the current situation. Having an independent institution that actively purchases health services from public and private health care providers on behalf of the whole population is the route taken by countries that have successfully implemented universal health systems. It is also essential to grant public hospitals greater management authority so that they can take the steps necessary to improve their services. At the moment, hospital managers have very little authority to make decisions that would enable service quality and efficiency improvements. However, while creating these independent institutions is a pre-condition for ensuring improved service delivery, strong governance and accountability mechanisms must be put in place to prevent mismanagement and corruption. Unfortunately, the Green Paper is relatively silent on governance and accountability mechanisms. That needs to be addressed.

I believe that we cannot afford not to pursue a universal health system. We cannot continue to tolerate high rates of unnecessary ill-health and death. We cannot continue to deny millions of South Africans access to health care when they need it. We cannot allow our horrendous health divide to continue.

The Green Paper lays a good foundation for addressing the health system and health challenges that face South Africa. Instead of attacking the proposed NHI, my plea is that the debate moves on. How can we all make positive contributions – yes from different perspectives - and devote our efforts to ensuring that the NHI does achieve high quality and accessible health services through well governed, accountable and independent institutions.

Source - <http://www.health-e.org.za/news/article.php?uid=20033238>